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BEFORE THE  
DEPARTMENT OF TRANSPORTATION  
WASHINGTON, DC

DEPT. OF TRANSPORTATION  
DOCKETS

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U.S.-U.K. ALLIANCE CASE

Docket OST-2001-11029 - 27

Joint Application of

AMERICAN AIRLINES, INC.

and

BRITISH AIRWAYS PLC

Docket OST-2001-10387 - 172

under 49 USC 41308 and 41309 for approval of  
and antitrust immunity for agreement

Joint Application of

UNITED AIR LINES, INC.,

BRITISH MIDLAND AIRWAYS LIMITED,

AUSTRIAN AIRLINES, ÖSTERREICHISCHE

LUFTVERKEHRS AG,

LAUDA AIR LUFTFAHRT AG,

DEUTSCHE LUFTHANSA, A.G.,

and

SCANDINAVIAN AIRLINES SYSTEM

Docket OST-01-10575 - 26

under 49 U.S.C. §§ 41308 and 41309 for approval of and  
antitrust immunity for an Alliance Expansion Agreement  
and an Amended Coordination Agreement

**ANSWER OF DALLAS/FORT WORTH INTERNATIONAL AIRPORT**

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December 17, 2001

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DEPARTMENT OF TRANSPORTATION  
WASHINGTON, DC**

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	)	
	)	

**ANSWER OF DALLAS/FORT WORTH INTERNATIONAL AIRPORT**

The Dallas/Fort Worth International Airport (“Dallas/Fort Worth” or “DFW”) submits this Answer in response to the Department’s Orders 2001-11-10 and 2001-12-5 consolidating the pending proceeding considering approval of and antitrust for the proposed alliance of American Airlines, Inc. (“American”) and British Airways PLC (“BA”) with the

similar proceeding involving the proposed alliance of United Air Lines, Inc. (“United”) and British Midland Airways Limited (“bmi”) and their other partners.

1. Dallas/Fort Worth has already strongly expressed in previous pleadings its position that the American/BA alliance should be approved with antitrust immunity because coordinated and immunized American/BA services will enable DFW to receive nonstop service to Heathrow Airport in London for the first time. Dallas/Fort Worth also stated that no useful purpose would be served by “carving out” the DFW-London route from antitrust immunity. Finally, DFW insisted that if the Department decides to condition its approval of the American/BA Alliance on a “slot surrender” remedy, the DFW-London route should be treated the same as other U.S.-London “overlap” routes losing a nonstop competitor as a result of the American/BA alliance.<sup>1</sup>

Dallas/Fort Worth takes no position as to whether the United/bmi alliance should be approved because these alliance carriers have not indicated any intention to provide nonstop service between DFW and London. We, nevertheless, believe that approval of the United/bmi alliance will enhance overall competition between the U.S. and U.K. and provide increased competition for the American/BA Alliance specifically.

2. DFW has stated that it strongly supports approval of the American/BA alliance and implementation of a U.S.-U.K. Open Skies Agreement because such actions would make it possible for DFW to receive nonstop service to Heathrow for the first time.<sup>2</sup> This would make DFW-London a major transatlantic hub-to-hub route linking American’s largest hub, DFW, with BA’s Heathrow hub. However, Northwest, on page 3 of its November 9, 2001 Reply, questions DFW’s assertion that DFW-Heathrow service will most likely be

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<sup>1</sup> See Dallas/Fort Worth Answer and Reply filed November 2, 2001 and November 9, 2001, respectively.

<sup>2</sup> The existing Bermuda 2 regime limits DFW’s London service to Gatwick Airport.

implemented by 2004. Northwest claims that by creating monopoly service in the DFW-London market, the alliance eliminates the need for American or BA to use scarce slots and facilities at Heathrow to serve DFW.

DFW remains confident that with an Open Skies Agreement in place, American and/or BA will institute DFW-Heathrow service in the near future. What Northwest fails to appreciate is that several competition-related reasons exist for an immunized American/BA alliance to institute DFW-Heathrow service. First, several carriers have stated their intention to institute U.S.-Heathrow service, or are likely to provide U.S.-Heathrow service under Open Skies, which will compete with American/BA's current DFW-London service. In this respect, United has indicated that it intends to institute nonstop service between its Denver hub and Heathrow if its alliance with bmi is approved and certain other conditions permit. (See Letter submitted by United, bmi, Lufthansa, SAS and Austrian summarizing documents filed in Dockets OST-01-10575 and OST-01-11029, dated November 21, 2001, p 3). Continental has also indicated plans to provide nonstop Heathrow service from its hub at Houston "to compete with American and British Airways flights at Dallas/Ft. Worth and Houston." (Reply of Continental Airlines, dated November 9, 2001, p 10). In addition, with the approval of an Open Skies Agreement, it is likely that Delta will add nonstop Heathrow service to its extensive operations at Atlanta. (See Answer of Delta Air Lines, dated November 2, 2001, p 24). American/BA would certainly find it crucial to implement DFW-Heathrow nonstop service to compete with these interior U.S. gateway services planned by United, Continental and Delta. Second, BA has indicated its intention to concentrate long-haul flights at Heathrow and phase-out such operations at Gatwick. (See Eddington Slashes Gatwick Long-haul Operation, Air Transport Intelligence News, December 6, 2001,

<[www.rati.com/news/item](http://www.rati.com/news/item)>; Joint Reply of American Airlines and British Airways, dated November 9, 2001, p 60, n 34). Moving BA's DFW service to Heathrow would clearly serve to promote this objective. Finally, as Heathrow is BA's primary hub, moving DFW service to Heathrow would enable BA to reduce costs by utilizing aircraft and crew in a more efficient manner. (See AA 070118-19).

Clearly, American and BA have strong competition-related reasons to transfer existing DFW service from Gatwick to Heathrow. Accordingly, DFW firmly maintains its belief that if the alliance is approved, American/BA will institute DFW-Heathrow service, most likely by 2004. Indeed, DFW believes that it is likely that once the American/BA alliance is immunized, American and BA will either introduce incremental service to Heathrow or move some of the existing capacity between DFW and Gatwick to Heathrow. (See AA 070118-19).

3. DFW continues to maintain that imposing a "carve-out" remedy upon the DFW-London market would be counterproductive in this case because of the many one-stop services that are now available to DFW-London local passengers, and the many additional such services that will become available under Open Skies. (See Answer of Dallas/Fort Worth Int'l Airport, dated November 2, 2001, pp 7-8; Exhibit DFW-20).<sup>3</sup> Indeed, the better remedy for preserving competition on the DFW-London route, once the American/BA Alliance is immunized, is to make Heathrow slots available for a DFW-London new entrant. Such a slot "surrender" remedy would provide a real nonstop competitor for American/BA


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<sup>3</sup> Northwest, in its November 9, 2001, Reply, misreads Dallas/Fort Worth's point on the subject of a carve-out. Northwest states that "[t]here is no logic to the [DFW] argument that a carve-out on coordinating unrestricted fares for local passengers would interfere with schedule coordination, as the Department's carve-outs do not extend to schedule coordination." (Reply of Northwest Airlines, dated November 9, 2001, p. 4). Our important point, however, is that without antitrust immunity for local DFW-London traffic sales, American and BA will have little incentive to spread DFW-London schedules away from peak times when today they fly wingtip-to-wingtip.

while maintaining the benefits that Dallas/Fort Worth anticipates receiving from fully-immunized American/BA services on the DFW route.

In summary, for the reasons set forth above, the Dallas/Fort Worth International Airport urges the Department to approve and grant antitrust immunity to the American/BA Alliance, consistent with the conditions set forth herein.

Respectfully submitted,

A handwritten signature in black ink that reads "Michael Goldman". The signature is written in a cursive, flowing style.

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December 17, 2001

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document by hand delivery or first class mail on all persons named on the attached service list.

  
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December 17, 2001

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